

109TH CONGRESS
2D SESSION

S. 3654

To amend the Internal Revenue Code to allow a credit against income tax, or, in the alternative, a special depreciation allowance, for reuse and recycling property, to provide for tax-exempt financing of recycling equipment, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 13, 2006

Mr. JEFFORDS (for himself and Mr. CARPER) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code to allow a credit against income tax, or, in the alternative, a special depreciation allowance, for reuse and recycling property, to provide for tax-exempt financing of recycling equipment, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Recycling Investment
5 Saves Energy” or the “RISE Act”.

6 **SEC. 2. FINDINGS.**

7 The Senate finds the following:

1 (1) Recycling means business in the United
2 States, with more than 56,000 reuse and recycling
3 establishments that employ over 1.1 million people,
4 generating an annual payroll of nearly \$37 billion,
5 and grossing over \$236 billion in annual revenues.
6 On a per-ton basis, sorting and processing
7 recyclables alone sustain 10 times more jobs than
8 landfilling or incineration.

9 (2) By reducing the need to extract and process
10 virgin raw materials into manufacturing feedstock,
11 reuse and recycling helps achieve significant energy
12 savings. For example:

13 (A) Taken together, the amount of energy
14 wasted from not recycling aluminum and steel
15 cans, paper, printed materials, glass, and plas-
16 tic equals the annual output of 15 medium
17 sized power plants.

18 (B) The reuse of 500 steel drums per week
19 yields 6 trillion Btu's per year, which is enough
20 energy savings to power a city the size of Colo-
21 rado Springs, Colorado, for 1 year.

22 (3) Unfortunately, the United States recycling
23 rate of many consumer commodities, including alu-
24 minum, glass, and plastic, are stagnant or declining,
25 and businesses that rely on recycled feedstock are

1 finding it difficult to obtain the quantity and quality
2 of recycled materials needed. Increasingly, United
3 States manufacturing facilities that rely on recycled
4 feedstock are closing or forced to re-tool to use vir-
5 gin materials.

6 (4) The environmental impacts from reuse and
7 recycling are significant. Increased reuse and recy-
8 cling would produce significant environmental bene-
9 fits, such as cleaner air, safer water, and reduced
10 production costs. For example:

11 (A) Between 2 and 5 percent of the waste
12 stream is reusable. Reuse prevents waste cre-
13 ation and adverse impacts from disposal.

14 (B) On a per-ton basis, recycling of: office
15 paper prevents 60 pounds of air pollutants from
16 being released, saves 7,000 gallons of water,
17 and 3.3 cubic yards of landfill space; aluminum
18 saves 10 cubic yards of landfill space; plastic
19 saves 30 cubic yards of landfill space; glass pre-
20 vents 7.5 pounds of air pollutants from being
21 released and saves 2 cubic yards of landfill
22 space; and steel saves 4 cubic yards of landfill
23 space.

1 (5) A national investment in the reuse and re-
 2 cycling industries is needed to preserve and expand
 3 America’s reuse and recycling infrastructure.

4 **SEC. 3. CREDIT FOR REUSE AND RECYCLING PROPERTY.**

5 (a) IN GENERAL.—Subpart D of part IV of sub-
 6 chapter A of chapter 1 of the Internal Revenue Code of
 7 1986 (relating to business-related credits) is amended by
 8 adding at the end the following new section:

9 **“SEC. 45N. CREDIT FOR QUALIFIED REUSE AND RECYCLING**
 10 **PROPERTY.**

11 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
 12 tion 38, the qualified reuse and recycling property credit
 13 determined under this section for the taxable year is an
 14 amount equal to 15 percent of the amount paid or in-
 15 curred during the taxable year for the cost of qualified
 16 reuse and recycling property placed in service or leased
 17 by the taxpayer.

18 “(b) DEFINITIONS.—For purposes of this section—

19 “(1) QUALIFIED REUSE AND RECYCLING PROP-
 20 PERTY.—

21 “(A) IN GENERAL.—The term ‘qualified
 22 reuse and recycling property’ means any ma-
 23 chinery and equipment (not including buildings
 24 or real estate), along with all appurtenances
 25 thereto, including software necessary to operate

1 such equipment, which is used exclusively to
 2 collect, distribute, or recycle qualified reuse and
 3 recyclable materials.

4 “(B) EXCLUSION.—Such term does not in-
 5 clude rolling stock or other equipment used to
 6 transport reuse and recyclable materials.

7 “(2) QUALIFIED REUSE AND RECYCLABLE MA-
 8 TERIALS.—

9 “(A) IN GENERAL.—The term ‘qualified
 10 reuse and recyclable materials’ means scrap
 11 plastic, scrap textiles, scrap rubber, scrap pack-
 12 aging, recovered fiber, scrap ferrous and non-
 13 ferrous metals, or electronic waste generated by
 14 an individual or business.

15 “(B) ELECTRONIC WASTE.—For purposes
 16 of subparagraph (A), the term ‘electronic waste’
 17 means—

18 “(i) any cathode ray tube, flat panel
 19 screen, or similar video display device with
 20 a screen size greater than 4 inches meas-
 21 ured diagonally, or

22 “(ii) any central processing unit.

23 “(3) RECYCLING OR RECYCLE.—The term ‘re-
 24 cycling’ or ‘recycle’ means that process (including
 25 sorting) by which worn or superfluous materials are

1 manufactured or processed into specification grade
2 commodities that are suitable for use as a replace-
3 ment or substitute for virgin materials in manufac-
4 turing tangible consumer and commercial products,
5 including packaging.

6 “(c) AMOUNT PAID OR INCURRED.—For purposes of
7 this section—

8 “(1) IN GENERAL.—The term ‘amount paid or
9 incurred’ includes installation costs.

10 “(2) LEASE PAYMENTS.—In the case of the
11 leasing of qualified reuse and recycling property by
12 the taxpayer, the term ‘amount paid or incurred’
13 means the amount of the lease payments due to be
14 paid during the term of the lease occurring during
15 the taxable year other than such portion of such
16 lease payments attributable to interest, insurance,
17 and taxes.

18 “(3) GRANTS, ETC. EXCLUDED.—The term
19 ‘amount paid or incurred’ shall not include any
20 amount to the extent such amount is funded by any
21 grant, contract, or otherwise by another person (or
22 any governmental entity).

23 “(d) ELECTION TO HAVE SECTION NOT APPLY.—A
24 taxpayer may elect for any taxable year to have this sec-

tion not apply with respect to any qualified recycling property specified by the taxpayer.

“(e) OTHER TAX DEDUCTIONS AND CREDITS AVAILABLE FOR PORTION OF COST NOT TAKEN INTO ACCOUNT FOR CREDIT UNDER THIS SECTION.—No deduction or other credit under this chapter shall be allowed with respect to the amount of the credit determined under this section.

“(f) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a credit is allowed under this section for any amount paid or incurred with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.”.

(b) CONFORMING AMENDMENTS.—

(1) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Subsection (b) of section 38 of the Internal Revenue Code of 1986 is amended by striking “and” at the end of paragraph (29), by striking the period at the end of paragraph (30) and inserting “, plus”, and by adding at the end the following new paragraph:

“(31) the qualified reuse and recycling property credit determined under section 45N(a).”.

1 (2) Subsection (a) of section 1016 of such Code
 2 is amended by striking “and” at the end of para-
 3 graph (36), by striking the period at the end of
 4 paragraph (37) and inserting “; and”, and by add-
 5 ing at the end the following new paragraph:

6 “(38) to the extent provided in section 45N(f),
 7 in the case of amounts with respect to which a credit
 8 has been allowed under section 45N.”.

9 (3) Section 6501(m) of such Code is amended
 10 by inserting “45N(d),” after “45C(d)(4),”.

11 (4) The table of sections for subpart D of part
 12 IV of subchapter A of chapter 1 of such Code is
 13 amended by inserting after the item relating to sec-
 14 tion 45M the following new item:

“Sec. 45N. Credit for qualified reuse and recycling property.”.

15 (c) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to taxable years beginning after
 17 December 31, 2005.

18 **SEC. 4. SPECIAL DEPRECIATION ALLOWANCE FOR CERTAIN**
 19 **REUSE AND RECYCLING PROPERTY.**

20 (a) IN GENERAL.—Section 168 of the Internal Rev-
 21 enue Code of 1986 (relating to accelerated cost recovery
 22 system) is amended by adding at the end the following
 23 new subsection:

24 “(l) SPECIAL ALLOWANCE FOR CERTAIN REUSE AND
 25 RECYCLING PROPERTY.—

1 “(1) IN GENERAL.—In the case of any qualified
2 reuse and recycling property—

3 “(A) the depreciation deduction provided
4 by section 167(a) for the taxable year in which
5 such property is placed in service shall include
6 an allowance equal to 50 percent of the ad-
7 justed basis of the qualified reuse and recycling
8 property, and

9 “(B) the adjusted basis of the qualified
10 reuse and recycling property shall be reduced by
11 the amount of such deduction before computing
12 the amount otherwise allowable as a deprecia-
13 tion deduction under this chapter for such tax-
14 able year and any subsequent taxable year.

15 “(2) QUALIFIED REUSE AND RECYCLING PROP-
16 ERTY.—For purposes of this subsection—

17 “(A) IN GENERAL.—The term ‘qualified
18 reuse and recycling property’ means any quali-
19 fied reuse and recycling property (as defined in
20 section 45N(b)(1))—

21 “(i) to which this section applies,

22 “(ii) which has a useful life of at least
23 5 years,

1 “(iii) the original use of which com-
2 mences with the taxpayer after December
3 31, 2005,

4 “(iv) which is—

5 “(I) acquired by purchase (as de-
6 fined in section 179(d)(2)) by an eligi-
7 ble taxpayer after December 31,
8 2005, but only if no written binding
9 contract for the acquisition was in ef-
10 fect before December 31, 2005, or

11 “(II) acquired by the eligible tax-
12 payer pursuant to a written binding
13 contract which was entered into after
14 December 31, 2005.

15 “(B) EXCEPTIONS.—

16 “(i) ALTERNATIVE DEPRECIATION
17 PROPERTY.—The term ‘qualified property’
18 shall not include any property to which the
19 alternative depreciation system under sub-
20 section (g) applies, determined without re-
21 gard to paragraph (7) of subsection (g)
22 (relating to election to have system apply).

23 “(ii) ELECTION OUT.—If a taxpayer
24 makes an election under this clause with
25 respect to any class of property for any

1 taxable year, this subsection shall not
 2 apply to all property in such class placed
 3 in service during such taxable year.

4 “(C) SPECIAL RULES.—

5 “(i) SELF-CONSTRUCTED PROP-
 6 ERTY.—In the case of an eligible taxpayer
 7 manufacturing, constructing, or producing
 8 property for the eligible taxpayer’s own
 9 use, the requirements of clause (iv) of sub-
 10 paragraph (A) shall be treated as met if
 11 the eligible taxpayer begins manufacturing,
 12 constructing, or producing the property
 13 after December 31, 2005.

14 “(ii) SALE-LEASEBACKS.—For pur-
 15 poses of subparagraph (A)(iii), if prop-
 16 erty—

17 “(I) is originally placed in service
 18 after December 31, 2005, by a per-
 19 son, and

20 “(II) sold and leased back by
 21 such person within 3 months after the
 22 date such property was originally
 23 placed in service,
 24 such property shall be treated as originally
 25 placed in service not earlier than the date

1 on which such property is used under the
2 leaseback referred to in subclause (II).

3 “(D) DEDUCTION ALLOWED IN COM-
4 PUTING MINIMUM TAX.—For purposes of deter-
5 mining alternative minimum taxable income
6 under section 55, the deduction under sub-
7 section (a) for qualified reuse and recycling
8 property shall be determined under this section
9 without regard to any adjustment under section
10 56.

11 “(3) ELIGIBLE TAXPAYER.—For purposes of
12 this subsection, the term ‘eligible taxpayer’ means,
13 with respect to any qualified reuse and recycling
14 property, any taxpayer which elects not to have sec-
15 tion 45N apply with respect to such property.”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to property placed in service after
18 December 31, 2005.

19 **SEC. 5. TAX-EXEMPT BOND FINANCING OF RECYCLING FA-**
20 **CILITIES.**

21 (a) IN GENERAL.—Section 142 of the Internal Rev-
22 enue Code of 1986 (defining exempt facility bond) is
23 amended by adding at the end the following new sub-
24 section:

25 “(n) SOLID WASTE DISPOSAL FACILITIES.—

1 “(1) IN GENERAL.—For purposes of subsection
 2 (a)(6) only, the term ‘solid waste disposal facilities’
 3 means any facility used to perform a solid waste dis-
 4 posal function.

5 “(2) SOLID WASTE DISPOSAL FUNCTION.—

6 “(A) IN GENERAL.—For purposes of this
 7 subsection only, the term ‘solid waste disposal
 8 function’ means the collection, separation, sort-
 9 ing, storage, treatment, disassembly, handling,
 10 or processing of solid waste in any manner de-
 11 signed to dispose of the solid waste, including
 12 processing the solid waste into a useful energy
 13 source or product.

14 “(B) EXTENT OF FUNCTION.—For pur-
 15 poses of this subsection only, the solid waste
 16 disposal function ends at the later of—

17 “(i) the point of final disposal of the
 18 solid waste,

19 “(ii) immediately after the solid waste
 20 is incinerated to produce energy, or

21 “(iii) the point at which the solid
 22 waste has been converted into a material
 23 or product that can be sold in the same
 24 manner as comparable material or product
 25 produced from virgin material.

1 “(C) FUNCTIONALLY RELATED AND SUB-
2 ORDINATE FACILITIES.—For purposes of this
3 subsection only, in the case of a facility used to
4 perform both a solid waste disposal function
5 and another function—

6 “(i) the costs of the facility allocable
7 to the solid waste disposal function are de-
8 termined using any reasonable method
9 based upon facts and circumstances, and

10 “(ii) if during the period that bonds
11 issued as part of an issue described in sub-
12 section (a)(6) are outstanding with respect
13 to any facility at least 65 percent of the
14 materials processed in such facility are
15 solid waste materials as measured by
16 weight or volume, then all of the costs of
17 the property used to perform such process
18 are allocable to a solid waste disposal func-
19 tion.

20 “(3) SOLID WASTE.—For purposes of this sub-
21 section only—

22 “(A) IN GENERAL.—The term ‘solid waste’
23 means garbage, refuse, or discarded solid mate-
24 rials, including waste materials resulting from

1 industrial, commercial, agricultural, or commu-
2 nity activities.

3 “(B) GARBAGE, REFUSE OR DISCARDED
4 SOLID MATERIALS.—For purposes of subpara-
5 graph (A), the term ‘garbage, refuse, or dis-
6 carded solid materials’ means materials that are
7 useless, unused, unwanted, or discarded.

8 “(C) EXCLUSION.—The term ‘solid waste’
9 does not include materials in domestic sewage,
10 pollutants in industrial or other water re-
11 sources, or other liquid or gaseous waste mate-
12 rials.”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to bonds issued before, on, or after
15 the date of the enactment of this Act.

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